

Department of Legislative Services
Maryland General Assembly
2012 Session

FISCAL AND POLICY NOTE
Revised

Senate Bill 487

(Senators Raskin and Reilly)

Judicial Proceedings

Environmental Matters

Vehicle Laws - Salvage - Defective, Lost, or Destroyed Certificates of Title

This bill authorizes an insurance company or its authorized agent that applies for a salvage certificate to submit an affidavit of ownership of the vehicle and a copy of the settlement check or other evidence of final payment in lieu of a certificate of title, if the title is defective, lost, or destroyed.

Fiscal Summary

State Effect: Transportation Trust Fund (TTF) revenues increase, by about \$15,000 in FY 2013, which accounts for the bill's effective date, and by about \$20,000 on an annual basis, due to the collection of additional salvage certificate fees from vehicles that currently do not have acceptable certificates of title, but that will be accompanied by acceptable ownership documents under the bill. TTF expenditures are not materially affected.

Maryland Automobile Insurance Fund (MAIF) Effect: Nonbudgeted revenues increase minimally from the sale of additional salvage vehicles that are able to be sold. Nonbudgeted expenditures decrease minimally from the payment of fewer storage yard fees incurred from vehicles that will be authorized for transfer under the bill, but they are offset slightly by the payment of additional salvage certificate fees to the Motor Vehicle Administration (MVA).

Local Effect: The bill is not anticipated to materially affect local operations or finances.

Small Business Effect: Potential meaningful.

Analysis

Current Law/Background: Salvage refers to a vehicle that has been (1) damaged to the extent that the cost to repair the vehicle for legal operation on a highway exceeds 75% of the fair market value of the vehicle prior to sustaining the damage; (2) acquired by an insurance company as a result of a claim settlement; or (3) acquired by an automotive dismantler and recycler as an abandoned vehicle or for rebuilding or use as parts.

An insurance company must obtain a salvage certificate for each vehicle acquired as a result of a claim settlement arising from an accident that occurred in the State. Along with the required fee and the vehicle's certificate of title, the company must provide one of several statements regarding the condition of the vehicle on the application. Current law does not provide an alternative form of proof to be submitted regarding the vehicle's prior owner. However, insurance companies that obtain a vehicle following settlement of a claim are not always able to obtain a valid title, which prevents the issuance of a salvage certificate to allow for lawful disposal of the vehicle. Thus, insurance companies are forced to incur additional expenses to store inoperable vehicles.

State Fiscal Effect: TTF revenues may increase by about \$20,000 on an annual basis under the following information and assumptions:

- in fiscal 2011, MVA received about 85,000 salvage certificate applications;
- Legislative Services assumes that this represents 99% of the salvage certificates applications that MVA would receive if not for title documents that cannot be located by insurance companies;
- MVA receives a similar number of salvage certificate applications in future years; and
- the salvage certificate fee is \$20.

Under the above assumptions, it is not anticipated that the number of additional salvage certificate applications is sufficient to warrant the need for additional customer service personnel by MVA. However, MVA advises that it will incur costs of about \$200 in fiscal 2013 to design an affidavit of ownership form and about \$185 per year to stock 1,000 of these forms annually.

Small Business Effect: Small business automobile insurance providers may realize a meaningful benefit to the extent that the bill enables them to reduce costs associated with the storage of vehicles, or payment of storage fees, for vehicles that cannot currently be disposed of and, also, due to the collection of additional payments from automobile dismantlers and recyclers or scrap processors associated with the scrap value of the vehicles. Small business automobile dismantlers and recyclers or scrap processors also

likely realize a minimal increase in revenues from the additional vehicles obtained for processing.

Additional Information

Prior Introductions: None.

Cross File: HB 435 (Delegate Beidle) - Environmental Matters.

Information Source(s): Governor's Office of Crime Control and Prevention, Maryland Insurance Administration, Maryland Automobile Insurance Fund, Department of State Police, Maryland Department of Transportation, Department of Legislative Services

Fiscal Note History: First Reader - February 17, 2012
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